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Tomahawk scalping techniques: taking small consistent daily profits

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MODULE 1

● **Main Points:**

- The books tell you to "go for base hits not home runs". While that's true, they don't give you the trade mechanics of how to do it. That's what this page will help with.
- Using a combination of scalps and trailing stops will help you take consistent profits out of the street.
- Many new daytraders make the mistake of keeping large stops, becoming confused with investing vs daytrading, and end up with 1/2-point to 1-point (or more) losses on their trades. Those of us who trade for a living have a very intense concentration while in our positions and try to protect every 1/16th. Beginners say "hey what the heck it's only a 1/4 point and its a good stock, it'll go up" (famous last words). I like to trade against guys like that.
- Realize traders, that if you take just 4-5 quarter points a day on 1K share trades, that gives you an annual income of almost \$300K. Not too bad.
- Just a net positive 2 quarter point trades 1K shares gives you \$120K/yr.

Daytraders' scalping guidelines:

- You should to trade 500-1K shares for 1/16ths, 1/8ths or 1/4 points. If the trade is going your way, stay in it for the 1/2 point or more. Usually, though, it's in and out in under 30 minutes.
- Only scalp trade stocks with solid volume, over 300K at the time you enter the trade. You want to be able to sell quickly.
- Your time in and time out on scalp trades can be anywhere from 15 seconds for 1-2 spreads to "as long as the stock is going your way".
- You can scalp short as well as long.
- The easiest scalp is when you see a stock oscillating between two prices (eg stuck at 24 1/8 x 24 1/4 for 15 minutes or longer)
- As always, make sure to use a Buy Limit order at the Bid and Sell at the Offer to avoid paying up 2 spreads.
- Scalping is a high-frequency repeated type of trading that is not glamorous. You don't buy at 35 7/8, watch it skyrocket to 39 and then sell. That's the rarest of trades. Money is made grinding out teenies like a market maker does.
- Scalping is the easiest and fastest way to take profits off the street. You make the market for the stock and pocket the spread. Market makers don't like this :o

I find that scalping stocks within a half-point trading range for a stock priced in the teens to mid-twenties on volume of 1M-3M is an easy way to make money on the NASDAQ market.

The toughest part is to be happy flipping several spreads over and over and over ...but when you see you're up \$650 or more each day that you do that, it's rewarding.

The second toughest part is getting comfortable with buying on the bid (you have to wait for the stock to come in and take out your bid) and selling on the offer. Of course, if the stock is selling then you want to pull your offer and hit the bid, though you'll give up one spread this way.

Time of day to scalp: avoid the highest- and lowest-volatility times; scalping is best done from around 10:30am to 11:30am and from 2:30pm to 3:30ish. First half hour of the market and last half hour tend to be volatile - great for daytrading momentum, but not for scalping plays.

Other Notes on Scalping: Making the market in a stock by 'playing market maker' takes a lot of patience. It should be considered an intermediate/advanced technique, not for someone who has less than 6 months experience in front of a level 2 screen. You must have Level 2 to scalp stocks. Scalping also requires a fast trade pace, our scalps are usually from 20 seconds to 3 minutes round trip using a daytrading direct-access broker.



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